

MONTHLY REVENUE REPORT

November 2002

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.55 billion in November 2002, which was down 3.6% from the year-ago level. After increasing in September by 5.9%, tax collections have now fallen two months in a row. The decline in November revenues was led by sharp declines in sales, use, and State education property tax collections, all of which fell from year-ago levels by more than 10%. Helping offset these steep declines were strong increases in income tax withholding and single business tax collections. Based on the latest information available, it appears that the revenue from these major taxes was down 1.6% in FY 2001-02. The Senate Fiscal Agency's revised economic and revenue forecast predicts that the revenue from these major taxes will be up 3.9% in FY 2002-03. This increase will result in large part from the increase in the cigarette tax rate, the delay in the scheduled cut in the single business tax rate, and the acceleration in the collection of the State education property tax.

Gross income tax collections totaled \$551 million in November, which was up 4.4% from last year's level. This marks the strongest monthly gain in income tax receipts in the past two years. The income tax withheld from workers' paychecks, which accounted for over 98% of gross income tax collections in November, posted a 4.9% increase for the month. After consistently falling below year-ago levels during the first five months of 2002, income tax withholding collections have now topped year-ago levels in four of the past six months. In FY 2001-02, gross income tax collections were down an estimated 6.6%, and they are expected to fall another 2.6% in FY 2002-03.

Sales tax collections dropped 13.2% in November to \$472 million. This sharp decline followed an increase of 19.2% in September and an 11.8% decline in October. This very volatile monthly pattern in sales tax collections can be traced to two major factors: 1) an unusual pattern in monthly sales tax receipts last year at this time due to the September 11 terrorist attack and the zero percent financing incentives offered by the domestic motor vehicle companies starting in October 2001, and 2) monthly fluctuations in the timing of sales tax collections. Sales tax collections from motor vehicle transactions were down 36.7% in November 2002, and sales tax receipts from all other taxable retail sales were down 7.3%. In FY 2001-02, sales tax collections were up an estimated 1.3%, and are forecasted to be up 3.8% in FY 2002-03.

Single business and insurance tax collections totaled \$207 million in November, which was up 16.4% from the year-ago level. Despite the fact the tax rate was reduced to 1.9% in 2002 from 1.9% in 2001, the receipts from these business taxes have now been up from year-ago levels in five of the past six months. In FY 2001-02, single business and insurance tax revenue was up 0.5%. In FY 2002-03, the collections from these business taxes are expected to be up 1.4%.

Among some of the other major taxes, November collections were up 39.4% for the tobacco taxes (due to the recent increase in the tobacco tax rates), and 36.8% for the oil and gas severance tax. Tax collections were down 27.3% for the State education property tax, 12.6% for the use tax, 2.0% for the real estate transfer tax, and 30.4% for the estate tax.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for November 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the Senate Fiscal Agency's revised revenue estimates for FY 2002-03.

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MICHIGAN REVENUE UPDATE
NOVEMBER 2002
(dollars in millions)

Type of Revenue	November Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$541.9	4.9%	\$541.9	4.9%	\$6,419.1	0.4%
Quarterly Payments	4.2	(16.0)	4.2	(16.0)	540.9	(14.5)
Annual Payments	4.9	(22.2)	4.9	(22.2)	381.3	(25.3)
Gross Income Tax	\$551.0	4.4%	\$551.0	4.4%	\$7,341.3	(2.6)%
Sales Tax	471.5	(13.2)	471.5	(13.2)	6,684.1	3.8
Motor Vehicles	69.4	(36.7)	69.4	(36.7)	---	---
All Other Sales Tax	402.1	(7.3)	402.1	(7.3)	---	---
Use Tax	93.6	(12.6)	93.6	(12.6)	1,339.5	2.8
Tobacco Tax	76.0	39.4	76.0	39.4	863.6	29.0
Single Business & Insurance Taxes	207.3	16.4	207.3	16.4	2,264.5	1.4
State Education Property Tax	116.2	(27.3)	116.2	(27.3)	2,148.0	4.6
Real Estate Transfer Tax	23.9	(2.0)	23.9	(2.0)	248.0	(0.2)
Estate/Inheritance Tax	8.7	(30.4)	8.7	(30.4)	81.8	(37.7)
Oil & Gas Severance Tax	2.6	36.8	2.6	36.8	35.5	13.1
Total	\$1,550.8	(3.6)%	\$1,550.8	(3.6)%	\$21,006.3	3.9%
Addendum:						
Gross Lottery Sales ⁴⁾	\$157.7	1.8%	\$282.9	3.8%	\$1,764.8	4.5%
Net Lottery to School Aid ⁴⁾	\$ 52.5	(9.3)%	\$ 98.9	(2.3)%	\$ 631.8	3.1%

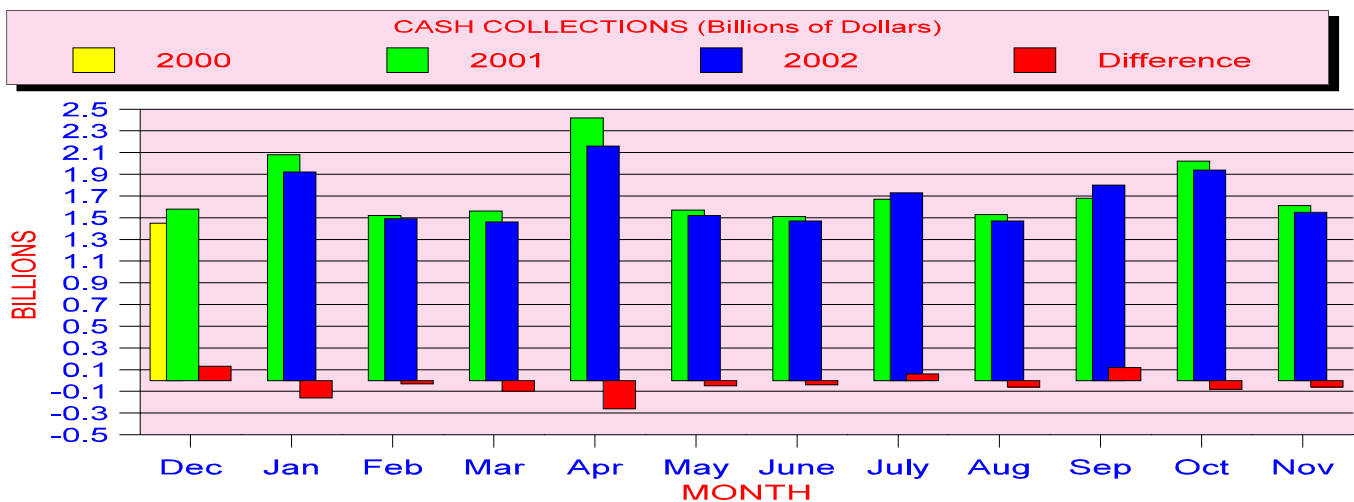
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.

3) Senate Fiscal Agency revised revenue estimates, released December 19, 2002.

4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Actual Revenue Collections for 12 Major State Taxes*
December 2000 to November 2002



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.